



November 19, 2021

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Public Service Commission
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Re: Focus on Energy Quadrennial Planning Process IV Scoping

VEIC respectfully offers these comments in response to the Public Service Commission of Wisconsin (Commission) Request for Comments on Focus on Energy Quadrennial Planning Process IV (Quad IV) Scoping. We offer these comments on behalf of the Focus on Energy program administrator team and in tandem with comments offered by APTIM. VEIC's comments draw on our experience supporting planning and goal-setting processes in several other states that have sought to align energy efficiency programs with emerging state policy goals around greenhouse gas (GHG) reduction, electrification, and equity.

For over 35 years, VEIC has been working with governments, utilities, foundations, and businesses across North America to develop and deploy energy efficiency, building decarbonization, transportation electrification, and demand management programs. In addition to our full-service consulting practice, VEIC administers three large-scale sustainable energy programs: [Efficiency Vermont](#), [Efficiency Smart](#), and the [DC Sustainable Energy Utility](#) (DCSEU). In addition to [Focus on Energy](#), VEIC serves on the program administrator teams for [Hawaii Energy](#) and [TECH Clean California](#).

These comments on Quad IV scoping are informed by VEIC's recent experience supporting the development of new goal frameworks, including new GHG reduction targets, for Efficiency Vermont, the DCSEU, and EmPOWER Maryland. We are also closely tracking the evolution of energy efficiency policies and programs to align with emerging state policy in other states, notably California, Illinois, Massachusetts, and Minnesota.

Ideas for Quad IV Scoping

Based on VEIC's experience supporting energy efficiency planning and goal-setting in several jurisdictions, we offer a few observations and suggestions for Quad IV scoping.

Broad scope for planning: We support the expanded set of topics that Staff has proposed for inclusion in Quad IV planning, notably the addition of Macro Policies and Priorities from the Roadmap to Zero Carbon docket. The proposed scope aligns with the topics we have seen explored in other states such as DC, Maryland, and Vermont, which similarly expanded the scope of energy efficiency program planning

to include consideration of decarbonization goals, electrification, expanded low-income programs, and utility collaboration.

Stakeholder engagement: We observe that the energy efficiency planning and goal-setting processes in several other states have involved robust stakeholder engagement outside of the formal regulatory process. Locally, the WI Office of Sustainability & Clean Energy has successfully solicited stakeholder feedback in developing the forthcoming Clean Energy Plan. Similarly, the Energy Efficiency Potential Study already conducted as part of this Quad IV Planning Process included stakeholder sessions, though they are now concluded. We suggest considering opportunities to invite stakeholder input as a broader part of Quad IV planning, perhaps by scheduling stakeholder working sessions or workshops on key topics, in concert with the open commenting periods already scheduled.

Overlap between scope items from different phases: The five Phase I topics from the Roadmap to Zero Carbon Investigation (docket 5-EI-158) provide ample opportunity to discuss important policy considerations. We note that several topics that are currently included in Phase II - Micro-Implementation Decisions seem closely tied to the items in the Macro Policies and Priorities and may be worth considering during Phase I, in tandem with related topics. In particular:

- Emphasis between energy and demand. This topic may overlap with the macro decision on collaboration between Focus and utility DR programs. A deviation from the current policy of prioritizing energy savings over demand savings could have broad-reaching impacts on Focus programs and activities.
- Inclusion of underserved rural areas. Focus currently recognizes the need to allocate additional resources to traditionally hard-to-reach customers in rural areas. This topic has a lot in common with the macro topic of serving low-income customers. It may be useful to holistically evaluate opportunities to address equity gaps by expanding or modifying offerings for underserved communities.

We recognize that these items are already in scope and note that these topics may warrant discussion in multiple phases.

Leveraging federal funding and other external funding opportunities: Focus on Energy is recognized as one of the most cost-effective energy efficiency programs in the country.¹ As the Energy Efficiency Potential Study (PSC REF#: 420467) already conducted as part of this planning process has found, there are additional cost-effective savings unattainable due to funding constraints. The anticipated influx of funding from recent legislation provides an opportunity to broaden the reach of Focus. Fortunately, there are already instances where the Focus infrastructure has been leveraged by

¹ Lawrence Berkeley National Laboratory, The Cost of Saving Electricity Through Energy Efficiency Programs Funded by Utility Customers: 2009–2015, June 2018, <https://www.swenergy.org/Data/Sites/1/media/lbnl-cse-report-june-2018.pdf>

external funding sources to deliver a better customer experience and a more holistic offering (e.g., utility voluntary programming aligned with existing Focus offerings, partnership with WI Office of Energy Innovation to incentivize select propane equipment). As part of the Quad IV planning process, we recommend considering opportunities for Focus on Energy to serve as an effective delivery vehicle for federal funding and identifying options for Focus program and infrastructure to more easily integrate with external funding sources beyond utility voluntary programs.

Transition plan to next generation of Focus on Energy: Through our work supporting next-generation efficiency programs in several states, we observe that the transition process takes time. In Vermont, program administrators and stakeholders used the 2018-2020 performance period to engage with stakeholders and build support for an updated vision for Efficiency Vermont's 2021-2023 programs. Efficiency Vermont also worked proactively and strategically with Vermont distribution utilities over the three-year period to design and implement a suite of collaborative pilots to test ways for the third-party efficiency program and the utilities to work together, particularly on demand response and load flexibility. In Maryland, the Commission order approving the 2021-2023 program plans established a facilitated, year-long process for stakeholders to recommend an updated goal and cost-effectiveness framework for EmPOWER Maryland. The intent is for stakeholders to develop recommendations by mid-2022, so that policymakers and the Commission can set new goals by the end of 2022, enabling the utilities to plan effectively in 2023 for next-generation programs that will launch in 2024.

We suggest that the Quad IV planning process develop a similar timeline for transition to the next generation of Focus on Energy programs. While some updates are likely feasible for the Quad IV, other changes will take more time. We suggest that Staff consider steps that could be taken during Quad IV to lay the groundwork for more comprehensive changes in Quad V, starting in 2027. For example, during Quad IV, Focus on Energy could expand pilots with the utilities to test models for collaboration on demand response and load flexibility. Focus could also begin collecting and reporting data on new metrics, such as GHG reduction, and identifying opportunities to update data collection and savings methodologies. At the same time, the Commission could consider establishing a longer-term stakeholder process to inform updated goal and cost-effectiveness frameworks, similar to the process laid out in Maryland. Lastly, there may be opportunities to revisit how certain planning activities are sequenced. For example, in planning for Quad V, it may make sense to determine any updates to the Focus on Energy goals and cost-effectiveness tests prior to undertaking a potential study.

State Energy Efficiency Planning and Goal-Setting Efforts

In this section we provide a brief review of energy efficiency planning and goal-setting activities and outcomes in states where VEIC has been actively engaged.

Maryland:

The EmPOWER Maryland energy efficiency programs, which are administered by five electric utilities and one gas utility in the state, are currently governed by legislation mandating that the utilities achieve 2% electric savings as a percentage of annual retail sales. This goal structure is mandated through the

end of the 2021-2023 program cycle, when EmPOWER is currently scheduled by statute to sunset. The Maryland Public Service Commission is required to provide the state legislature with recommendations on future goals and cost-effectiveness tests by July 1, 2022, in anticipation of the legislature passing legislation governing the next generation of EmPOWER Maryland programs starting in 2024.²

To support this process, the Commission established a Future Programming Work Group charged with developing recommendations for a new goal structure and related topics, including GHG reduction, customer bill impacts, promoting electrification, and coordination with the state's concurrent climate action planning process.³ The Work Group is led by a Public Utility Law Judge and includes more than 100 stakeholders representing utilities, advocates, program implementers, contractors, and state agencies.⁴ Since beginning its work in April 2021, the Work Group has been meeting on a nearly weekly basis to discuss and share proposals on a range of topics related to goal-setting and cost-effectiveness, including: new goal structures; demand response programs; fuel switching and electrification; low and moderate income (LMI) goals; evaluation protocols; cost-effectiveness; third-party opportunities; and funding.

To date, the Work Group has developed a consensus proposal to transition starting in 2024 to a goal framework focused on GHG abatement, with the bulk of abatement coming from behind-the-meter resources, including energy efficiency, beneficial electrification, and both active and passive demand reduction. The Work Group is currently having in-depth weekly meetings to discuss cost-effectiveness testing, including potential development of a Maryland-specific test that follows National Standard Practice Manual best practices and aligns with state policy goals, as well as related topics such as carbon value, discount rate, and non-energy benefits.⁵ The Work Group aims to develop its final recommendations by April 15, 2022 to inform the Commission's recommendations to the legislature.

Vermont:

In 2020, the Vermont Legislature passed the Global Warming Solutions Act (Act 153 as Enacted), which created legally binding emission reduction targets. The Act requires Vermont to reduce GHG pollution to 26% below 2005 levels by 2025, 40% below 1990 levels by 2030 and 80% below 1990 levels by 2050.⁶ In addition, Act 151, also passed in 2020, took steps to align energy efficiency programs with GHG reduction goals. Act 151 allows Efficiency Vermont, over the course of a three-year pilot, to use up to \$2

² Maryland Public Service Commission, Order No. 89679, Order Authorizing Transition to 2021-2023 Program Cycle, December 18, 2020.

³ Maryland Commission on Climate Change,

<https://mde.maryland.gov/programs/Air/ClimateChange/MCCC/Pages/index.aspx>.

⁴ VEIC is engaged in the Future Programming Work Group on behalf of our client, the Maryland Office of People's Counsel.

⁵ National Standard Practice Manual, <https://www.nationalenergyscreeningproject.org/national-standard-practice-manual/>

⁶ Vermont Climate Council, <https://climatechange.vermont.gov/about>.

million per year of its existing electric ratepayer funding for offerings that reduce GHG emissions in the thermal and transportation sectors.

Efficiency Vermont garnered stakeholder support to address broader GHG reduction goals through extensive engagement with state policymakers, utilities and other stakeholders in 2018-2020. During that period, Efficiency Vermont and the state's electric distribution utilities collaborated on a set of pilots and programs to advance heat pump adoption, electric vehicle (EV) charging, and load flexibility. An important outcome of these collaborative efforts with utilities was broad agreement that Efficiency Vermont, as a statewide entity with existing trade ally relationships, is particularly well-suited to play a market development and transformation role for set of decarbonization activities extending beyond traditional energy efficiency. For example, Vermont regulators, utilities, and stakeholders agreed that Efficiency Vermont is well-positioned to support development of technical standards and supply chain adoption of EVs and flexible load technologies.

Efficiency Vermont developed its 2021–2023 Triennial Plan under Vermont Public Utility Commission direction through the 2021-2023 Demand Resources Plan (DRP) process, which resulted in approval of program budget, services, Quantifiable Performance Indicators (QPIs), and minimum performance requirements (MPRs). The Triennial Plan also sought to align Efficiency Vermont activities with state policies related to energy efficiency, clean energy, GHG emissions reduction, health, and equity.

Efficiency Vermont's 2021-2023 multifactor goal framework includes two new QPIs:⁷

- **GHG Reduction:** 140,200 metric tons of CO₂e from electric energy and non-energy
- **Flexible Load:** 2700 annual kW of flexible load (controllable load)

Program innovations to support these new goals include:

- **Flexible load management:** Consensus emerged among Vermont regulators, utilities, and stakeholders that Efficiency Vermont is uniquely positioned to encourage widespread adoption of interoperable and open-source load management technologies by undertaking market coordination and transformation activities. Once adopted, these technologies enable utilities to shift loads to more optimal time periods, reducing electric system costs. In 2021–2023, Efficiency Vermont is continuing collaborative efforts with distribution utilities to plan, implement, and evaluate flexible load management programs for commercial, industrial, and residential customers. Distribution utilities have responsibility for scheduling, operating, and incentivizing the behavior of any load management systems installed, so Efficiency Vermont is coordinating closely with utilities on program design and control protocols.⁸

⁷ Efficiency Vermont 2021-2023 Triennial Plan, revised June 28, 2021.

https://www.encyciencyvermont.com/Media/Default/docs/plans-reports-highlights/2021/Efficiency%20Vermont%20Revised%202021-2023%20Triennial%20Plan_Final.pdf

⁸ *Ibid.*

- **Refrigerant management:** Following a set of pilots to demonstrate savings potential and develop measure characterizations, Efficiency Vermont is now able to count non-energy emissions reductions from reduced refrigerant leakage towards its GHG reduction goal. Refrigerants are a significant global contributor to GHG emissions; each pound of leaked refrigerant equates to 2,500 pounds of CO₂e. Efficiency Vermont is working with grocery and convenience stores to repair and monitor refrigerant systems and replace conventional refrigerants with low Global Warming Potential (GWP) natural refrigerants.
- **EV adoption:** Vermont regulators, utilities, and stakeholders found that Efficiency Vermont is well-suited to play a market development role for EVs. Using Act 151 electric ratepayer funding, Efficiency Vermont is expanding EV supply chain development efforts and engaging with vehicle dealers on outreach, trainings, and incentives. Efficiency Vermont is also partnering with state agencies, utilities, and other stakeholders to help Vermonters learn more about EVs and their benefits through advertising, digital resources for EV shoppers, and community engagement.

Washington, DC:

The DC Clean Energy Omnibus Amendment Act (Clean Energy DC Act) of 2018 includes a number of ambitious clean energy provisions. The Act sets a target of 100% renewable energy by 2032 and establishes Building Energy Performance Standards requiring minimum energy performance for commercial and multifamily buildings in the District. It also expands the District's efforts on transportation electrification, workforce development, and energy efficiency programs.⁹

When developing the DCSEU's new contract for FY2022-FY2026, the DC Department of Energy & Environment (DOEE) sought to align the activities of its sustainable energy utility with the goals set forth in the Clean Energy DC Act. The DCSEU provided in-depth analysis of potential performance metrics addressing best practices, tradeoffs, and calculation methodologies. DOEE then established four new performance metrics for the DCSEU measured over the 5-year performance period, in addition to existing metrics for green jobs and low-income spending:¹⁰

- **Fuel-neutral energy savings** (measured in source MMBTU)
- **GHG-reduction** (based on a percentage of 2006 emissions, using a marginal emissions rate and including upstream methane emissions from the natural gas system)
- **Renewable energy capacity**, with a requirement to achieve energy efficiency savings for those project
- **Deep energy retrofits**, measured using savings from each of the projects that achieve 30% or greater savings

⁹ Clean Energy DC Act, <https://doee.dc.gov/service/clean-energy-dc-act>.

¹⁰ DCSEU Contract Modification 14 (DOEE-2016-C-0002).

In addition, the contract includes language that creates a procedural barrier for natural gas or fuel oil appliance efficiency, requiring approval from the District Department of Energy and Environment (DOEE) for “any expenditure/financial incentives for new or existing natural gas or fuel oil appliances.” As a result, the DCSEU has phased out market rate incentives for high-efficiency natural gas equipment and is emphasizing incentives for high-efficiency electric heat pumps and heat pump water heaters during the FY2022-FY2026 period.

The Clean Energy DC Act also allowed the electric and gas utilities in the District to begin offering energy efficiency programs alongside the DCSEU. The electric utility, Pepco, worked with the DCSEU through 2021, in collaboration with an Energy Efficiency and Demand Response (EEDR) Working Group established by the DC Public Service Commission, to develop a suite of new energy efficiency program offerings designed to provide additional customer benefits and energy savings while avoiding market confusion and overlap.

Other States:

This section summarizes notable policy updates in other states that VEIC is monitoring, although we were not directly involved in the processes that established the new program metrics and rules:

California: A 2019 California Public Utilities Commission (CPUC) order updated the “three-prong test” that had previously served as a de facto ban on fuel-switching within the utility energy efficiency programs. The order opens the door to beneficial electrification that does not 1) increase total source consumption or 2) adversely impact the environment when compared with the baseline measure using the original fuel.¹¹ More recently, a 2021 CPUC order established a new fuel-agnostic Total System Benefit (TSB) metric for the energy efficiency programs to replace the existing energy and peak demand savings goals starting in 2024.¹² TSB is the dollar value of total energy system and climate policy benefits and is calculated as the product of time varying measure savings and avoided costs, summed up through the measure lifetime. It is designed to translate energy system and climate benefits into a common unit, which encourages the efficiency programs to strategically target the load reduction and longer-duration energy savings that deliver the greatest value.¹³ In the same order, the CPUC directed the energy efficiency program administrators to segment their portfolios into three categories, with the primary purposes of resource acquisition, market support, and equity.¹⁴

¹¹ Borgeson, Merrian, Natural Resources Defense Council (NRDC). CA's \$1 Billion for Efficiency Now Open to Electrification, <https://www.nrdc.org/experts/merrian-borgeson/ca-billion-efficiency-now-open-electrification>.

¹² CPUC. Order Instituting Rulemaking Concerning Energy Efficiency Rolling Portfolios, Policies, Program, Evaluation, and Related Issues, Rulemaking 13-11-005. <https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M378/K256/378256443.PDF>.

¹³ Chhabra, Mohit, NRDC. Aligning California's Energy Efficiency Goals with Energy System and Climate Policy Needs. Presentation at ACEEE Energy Efficiency as a Resource Conference, October 19, 2021.

¹⁴ CPUC, Rulemaking 13-11-005.

Illinois: The Climate and Equitable Jobs Act (CEJA) passed in September 2021 includes a number of provisions strengthening energy efficiency programs and expanding investments in low-income programs. CEJA also includes a provision that enables beneficial electrification within the utility energy efficiency programs by modifying the approach to fuel switching to a site-based calculation and counting the reduction in Btu consumption of fossil fuels as a result of electrification, converted to kilowatt-hour equivalents by dividing by 3,412 Btu's per kilowatt hour, towards savings goals.¹⁵

Massachusetts: In 2018, Massachusetts passed legislation expanding the definitions of eligible resources in the state's leading energy efficiency programs to include active demand management, storage, and strategic electrification.¹⁶ In March 2021, Governor Baker signed into law An Act Creating a Next Generation Roadmap for Massachusetts Climate Policy (the Climate Act), codifying the state's commitment to achieve net zero emissions in 2050 while protecting vulnerable communities.¹⁷ The Climate Act established new mandates for GHG emissions reductions by 2030 and 2040 and directed the Executive Office of Energy and Environmental Affairs (EEA) Secretary to set a GHG emissions reduction goal, expressed in million metric tons of carbon dioxide equivalent, for the three-year energy efficiency plan. The Act also required the social value of GHG emissions to be included in cost-effectiveness calculations for all energy efficiency measures. In July 2021, the EEA Secretary established the GHG emissions reduction targets for the 2022-2024 Energy Efficiency Plan, which is prepared by the utility program administrators (PAs). The PAs subsequently revised the plan to achieve the GHG targets. The plan's high-level metrics are now fuel-neutral, expressed in terms of net annual MMBtu savings, adjusted gross annual GHG emissions reductions (metric tons), and total benefits (in dollars). The 2022-2024 plan also increases emphasis on electrification, equity, and workforce development, based on extensive input from stakeholders and the Energy Efficiency Advisory Council (EEAC).¹⁸

Minnesota: Following years of effort by utilities, advocates, and other stakeholders, the Energy Conservation and Optimization (ECO) Act passed in 2021.¹⁹ The legislation modernizes the Conservation Improvement Program (CIP), which has governed utility efficiency in Minnesota for nearly forty years, by expanding what counts as energy savings to include load management and beneficial

¹⁵ Goldberg, Laura, NRDC. The Unsung Hero of Illinois' Climate Law: Energy Efficiency, October 06, 2021. <https://www.nrdc.org/experts/laura-goldberg/unsung-hero-illinois-climate-law-energy-efficiency>.

¹⁶ MA House of Representatives. 2018. "Bill H.4857 An Act to Advance Clean Energy." Boston, MA: Massachusetts House of Representatives. <https://malegislature.gov/Bills/190/H4857>.

¹⁷ MA State Senate. 2021. "An Act Creating a Next-Generation Roadmap for Massachusetts Climate Policy." <https://malegislature.gov/bills/192/S9>.

¹⁸ MA PAs. Massachusetts 2022-2024 Energy Efficiency Plan, November 1, 2021. <https://ma-eeac.org/wp-content/uploads/Exhibit-1-Three-Year-Plan-2022-2024-11-1-21-w-App-1.pdf>

¹⁹ MN House of Representatives. 2021a. "H.F. No. 164 Energy Conservation and Optimization Act of 2021." St. Paul, MN: Minnesota House of Representatives.

electrification. ECO also increases energy savings goals and expands investment in low-income energy efficiency programs, including pre-weatherization health and safety measures.²⁰

We appreciate the opportunity to offer these comments and look forward to supporting the Commission in Quad IV planning as a member of the Focus on Energy program administration team.

Sincerely,

A handwritten signature in blue ink that reads "Emily Levin". The signature is written in a cursive, flowing style.

Emily Levin
Principal Consultant
VEIC

²⁰ Wazowicz, Maddie, Midwest Energy Efficiency Alliance. Minnesota Passes the ECO Act, a Modern and Expansive Update to its EE Framework, May 26, 2021. <https://www.mwalliance.org/blog/minnesota-passes-eco-act-modern-and-expansive-update-its-ee-framework>.